ANNUAL REPORT 2008-2009

QIANLONG TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8015)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

Contents

Corporate Information

EXECUTIVE DIRECTORS
Liao Chao Ping
Fan Ping Yi
Yang Ching Shou
Chen Shen Tien
Chen Ming Chuan
Yu Shih Pi

INDEPENDENT NON-EXECUTIVE DIRECTORS
Chiu Kam Hing, Kathy
Chang Long Teng
Cheong Chan Kei, Ernest

SECRETARY
Tse Kai Chung, Bobby

QUALIFIED ACCOUNTANT
Ip Pui Lam, Arthur

AUTHORISED REPRESENTATIVES
Tse Kai Chung, Bobby
Yang Ching Shou

COMPLIANCE OFFICER
Fan Ping Yi

PRINCIPAL BANKERS
In The People's Republic of China:
Industrial and Commercial Bank of China

In Hong Kong:
The Hong Kong and Shanghai Banking Corporation Limited,
Shanghai Commercial Bank Limited

AUDITOR
Shu Lun Pan Horwath Hong Kong CPA Limited
20th Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

AUDIT COMMITTEE
Chiu Kam Hing, Kathy *(Chairman)*
Chang Long Teng
Cheong Chan Kei, Ernest

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
Butterfield House
Fort Street, P.O.Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Central Registration Hong Kong Limited
Shops 1901-1905
19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE
Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Unit A, 25th Floor, Yardley Commercial Building, No.3 Connaught Road West, Sheung Wan, Hong Kong

PLACE AND DATE OF LISTING, NAME AND CODE OF ITS STOCKS
The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
Listing Date: 17 December, 1999
Stock Name: Qianlong Technology
Stock Code: 8015

Financial Summary

A summary of the audited results of Qianlong Technology International Holdings Limited ("the Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 together with the comparative figures for the corresponding period in 2007 and of the assets and liabilities of the Group as at 31 December 2008 and 2007 is set out as follows:

GROUP RESULTS

	2008	2007
	RMB'000	RMB'000
Turnover	**71,200**	52,825
Profit before taxation	**19,554**	12,055
Income tax	**(2,768)**	(500)
Profit for the year attributable to equity holders of the Company	**16,786**	11,555
Profit per share-Basic (RMB)	**0.076**	0.055

Financial Summary

GROUP ASSETS AND LIABILITIES

	2008 RMB'000	2007 RMB'000
Non-current assets		
Property, plant and equipment	**36,452**	38,686
Interest in an associate	**—**	278
	36,452	38,964
Current assets		
Inventories	**26**	15
Trade and other receivables	**3,641**	3,741
Deposits and prepayments	**1,990**	1,426
Investments held for trading	**14,073**	—
Cash and cash equivalents	**98,829**	76,625
	118,559	81,807
Current liabilities		
Trade and other payables	**33,768**	31,469
Tax payable	**2,964**	1,714
	36,732	33,183
Net current assets	**81,827**	48,624
Non-current liabilities		
Deferred revenue	**2,801**	2,385
Net assets	**115,478**	85,203
EQUITY		
Share capital	**26,128**	22,420
Reserves	**89,350**	62,759
Equity attributable to equity holders of the Company	**115,478**	85,179
Minority interests	**—**	24
Total equity	**115,478**	85,203

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 December 2008.

FINANCIAL REVIEW

For the year ended 31 December 2008, the Group made great achievements and reported a turnover of RMB71,200,000, representing an increase of RMB18,375,000 as compared with RMB52,825,000 for the same period of the previous year. It was mainly because of the increase in information service fee income for the year.

For the year ended 31 December 2008, the Group has recorded revenue of RMB7,823,000 (2007: RMB7,171,000) from sales of computer software, representing an increase of 9.09% to the same period of last year; the income from maintenance service fee was RMB27,484,000 (2007: RMB26,178,000), representing an increase of 4.99% to the same period of last year; the income from information service fee was RMB34,774,000 (2007: RMB17,928,000), representing an increase of 93.96% to the same period of last year, and the other income was RMB1,119,000 (2007: RMB1,548,000).

The increase of income contributed a lot to the increase in profit. The Group recorded a net profit attributable to shareholders of RMB16,786,000 for the year ended 31 December 2008, representing an increase of 45.27% as compared with RMB11,555,000 for the same period of the previous year.

The basic earnings per share was RMB7.60 cents (2007: RMB5.50 cents).

BUSINESS SUMMARY AND PROSPECTS

After combination, the totally new development structure of Qianlong series products supported by Shanghai Qianlong Technology Company Limited and its wholly-owned subsidiaries, namely Shanghai Qianlong Network Technology Company Limited and Shanghai Xinlong Information Technology Company Limited, have achieved new development in 2008.

New functions have been launched for the Network product used in securities houses. The new V.70 version, Stock index futures, goods futures, Linux no-disc system and other products have already achieved the users' recognition and occupied the market edges.

The Internet version used for on-line transaction has developed the procedure with information and consignment based on information analysis system and already achieved success with some important customers such as Guotai Jun'an, Huatai, Shenyin Wanguo and started to cover the whole market. Qianlong has become the leader among the consignment system suppliers.

On individual user products, the new Gold Eyes software was launched at a very good timing and has received recognition from shareholders quickly, which has become a signal of the new age main monitor analysis technology after the closing of Topview data from the securities exchange. The distributions of related products have been the new business increase point of the Company. As a sign, Qianlong has started to develop the area of investment analysis intelligence decision software apart from the traditional data service products.

On the traditional leading products Qianlong Gang Gu Tong (港股通) also maintained its continuous upgrading and renovation. At the same time, the Company has exploited new cooperators such as Chinese invested, Hong Kong invested and Taiwan invested securities houses. The market performance met the expectation.

On financial data products, Long Xun F10, Financial database product-LonDB and related warranties have improved further. These products have achieved advanced technology in the industry and helped to render great support to the development of varied Qianlong end-users products.

With the continuous renovation and breakthrough, Qianlong has owned the most perfect products line in the industry without doubt. From the series software to the tailored design, from the system tool to the client end analysis software, from the strengthened selective parts to information platform, from the data service to the solutions, Qianlong provides all areas of services including marketing, analysis, trading and information platform.

With the launch of Gang Gu Tong, Level-2, Organizational information, stock index futures and other new style of information, Qianlong keeps writing new articles for development and innovation.

CONCLUDING REMARKS

The Group forecasts the global continuous economic downturn will not have too adverse influence in Chinese mainland. The Group will strictly control the expenses and take cost saving measures. We remain optimistic to the Group's business and future prospects.

I would like to express my heartfelt gratitude to members of the Board and staff of the Group for their hard efforts as well as to all members for their kind support to the Group.

Liao Chao Ping
Chairman
24 March 2009, Hong Kong

BUSINESS REVIEW

In the year of 2008, the Group's main business is the production and distribution of computer software, provision of maintenance services and market information services. The Group accumulated a lot of customers' prepayments since the second half of previous year for the annual fee of the maintenance and information services. The economic downturn occurred in the second half year did not have much effect on the Group's financial achievements for the year ended 31 December 2008.

In the year ended 31 December 2008, the Group has maintained the leading positions in the traditional market edge, that is network version used for real-time transactions in the securities brokerage companies with the completed efforts on the design, development, services and trainings of the products. In the year of 2008, an income of RMB28,458,000 has been recorded on this, representing 40.00% of the total turnover.

More and more Chinese investors have been stepped out of China and pay more attention and interests in Hong Kong stock market. This contributed more gain to the Group on Qianlong Gang Gu Tong (港股通) than that in previous year.

In the year of 2007, the Group has launched a set of more advanced terminal product Level-2. Level-2 information is the latest chargeable in-time information service from Shanghai Securities Exchange. This information includes provision of the entrusted amount for ten prices level, weighted average applied buying and selling price, every transaction details, top 50 of every entrusted amount on the best buying and selling price level and dynamic transacted amount, etc. Compared with the traditional in-time marketing information, Qianlong Level-2 product has quicker speed, complete information, abundant entrusted information, more statistic information, product information releasing with different channels, international standard data connection, data resending protection system, information safety protection and other many advantages.

In the year ended 31 December 2008, The Group has recorded RMB34,774,000 on Gang Gu Tong and Level-2 products, representing 48.80% of the total turnover.

ADMINISTRATIVE COST

In the year ended 31 December 2008, administrative expenses increased from RMB18,710,000 in 2007 to RMB23,091,000 in 2008, representing an increase of 23.42%. The increase was mainly caused by increase in headcount and related costs as a result of the business expansion of two subsidiaries of the Company namely Shanghai Qianlong Advanced Technology Company Limited and Shanghai Qianlong Network Technology Company Limited.

SIGNIFICANT INVESTMENT

As of 31 December 2008, Shanghai Qianlong Advanced Technology Company Limited, a subsidiary of the Group, purchased an unlisted investment fund for a cash consideration of RMB8,000,000. The unlisted investment fund with the maturity of one month recovered the principal and interest as at 19 January 2009.

As of 31 December 2008, Shanghai Qianlong Advanced Technology Company Limited, a subsidiary of the Group, purchased listed investment funds for a cash consideration of RMB6,000,000. The listed investment funds have no fixed maturity or coupon rate. For the year 2008, the fair value gain of the listed investment funds was RMB73,000. The unlisted investment funds were recovered fully as at February 2009 with a gain of RMB10,000.

WORKING CAPITAL AND FINANCIAL RESOURCES

For the year ended 31 December 2008, the Group's working capital and financial resources keep improving as compared to that in the previous year. As at 31 December 2008, the Group's cash and cash equivalents were RMB98,829,000 (2007: RMB76,625,000). Therefore, the Group's financial status is still stable.

DEPLOYMENT OF HUMAN RESOURSES

The total number of staff of the Group as at 31 December 2008 was 265 (2007: 241). The Group offers a remuneration package by reference to prevailing market conditions and performance, qualifications and experience of individual employees. Other benefits for employees include a retirement benefit, a provident fund and a medical plan. In the year, the total cost for staff (including salary, bonus and other welfare) is approximately RMB21,427,000 (2007: RMB14,493,000).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2008 and 31 December 2007.

GEARING RATIO

Since its establishment, the Group has neither made any loan arrangements with nor obtained any credit facilities from any financial institutions. Therefore, the gearing ratio of the Group, which is net borrowings over shareholders' funds, has remained zero. At the same time, the Group's assets have never been subject to any securities or mortgages.

EXPOSURE ON EXCHANGE RATE FLUCTUATION

Most of the income and expenditure of the Group were denominated in RMB and only a small proportion is denominated in Hong Kong dollars and Taiwan dollars. Therefore the Group considered the exchange rate fluctuation exposure is small and thus no financial instruments have been adopted for hedging purposes.

MAJOR SUBSIDIARIES

Shanghai Qianlong Advanced Technology Company Limited

Established in September 1994 and 100% controlled by the Company, Shanghai Qianlong Advanced Technology Company Limited is engaged in the development, production and distribution of securities analysis computer software. Shanghai Qianlong Advanced Technology Company Limited is one of the market leaders in the industry of securities analysis computer software in the People's Republic of China ("the PRC").

Shanghai Qianlong Network Technology Company Limited

Established in February 2007 and 100% controlled by the Company, Shanghai Qianlong Network Technology Co., Ltd is engaged in the technology development, technology transfer, technology service and network system integration in the industry of computer network technology.

Shanghai Xin Long Information Technology Company Limited

Established in March 2006 and 100% controlled by the Company, Shanghai Xin Long Information Technology Company Limited is engaged in the design of computer software, system service and data processing.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Liao Chao Ping, aged 65, has extensive experience in real estate development. He is a director of Union Constriction Company Limited (a company incorporated in Taiwan). Mr. Liao has been appointed as an executive Director on 28 October 2004 and the chairman of the Group on 10 January 2005.

Mr. Fan Ping Yi, aged 50 is the vice-chairman and one of the founders of the Group. He is responsible for the Group's overall strategic planning and its implementation. Before joining the Group, Mr. Fan held senior management positions in various software houses in Taiwan. Mr. Fan will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

Mr. Yang Ching Shou, aged 50, is the general manager of the Group and president of Shanghai Qianlong Advanced Technology Company Limited. He is one of the founders of the Group. He is responsible for the Group's overall strategic planning and its implementation. Before joining the Group, Mr. Yang held senior management positions in various computer software companies in Taiwan.

Mr. Chen Shen Tien, aged 51, is responsible for the Group's overall strategic planning and the relationship development of potential business opportunities. Mr. Chen has over 13 years of experience in the IT industry. Mr. Chen will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

Mr. Chen Ming Chuan, aged 44, has engaged in the IT industry over 24 years with intensive experience in development of securities analysis software.

Mr. Yu Shih Pi, aged 46, is the general manager of Chien Long Investment Company Limited. Mr. Yu held senior management positions in various computer companies before joining the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Kam Hing, Kathy, aged 60, has over 37 years of banking experience in Canada and Asia Pacific region. Ms. Chiu was senior vice-president at the Republic National Bank of New York and was responsible for the management and investment of third party clients' funds. Ms. Chiu is the chairman of the Group's audit committee and remuneration committee. Ms. Chiu is one of the executive directors of Prime Investment Holdings Limited (stock code: 721) and also the independent non-executive director of B&S Entertainment Holdings Limited (8167).

Mr. Chang Long Teng, aged 49, has extensive experience in management and administration. He does not hold any directorship in other public listed companies.

Mr. Cheong Chan Kei, Ernest, aged 39, is an investment representative (HKSI). Mr. Cheong holds a bachelor degree of Arts from the University of Western Ontario. Mr. Cheong does not hold any directorship in other public listed companies. Mr. Cheong will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

SENIOR MANAGEMENT

Mr. Du Hao, aged 40, is the vice president of Shanghai Qianlong Advanced Technology Company Limited. He joined the Group in 1993 and has over 15 years of product research and development experience. He holds a master of science degree in electronic engineering from Fudan University.

Mr. Song Li Qun, aged 41, is the general manager of Shanghai Qianlong Network Technology Company Limited. He is responsible for the daily operation of Shanghai Qianlong Internet Technology Company Limited. He holds a bachelor's degree from Shanghai University, and has 14 years of experience in the IT industry.

Mr. Zhou Xiang, aged 38, is the general manager of Shanghai Xin Long Information Technology Company Limited. He is responsible for the daily operations of Shanghai Xin Long Information Technology Company Limited. He holds a bachelor's degree from Hua Zhong Science and Technology University and has 14 years of experience in the IT industry.

Mr. Chen Gangliang, aged 36 is the deputy general manager of Shanghai Qianlong Advanced Technology Company Limited. He is responsible for the daily operations of Shanghai Qianlong Advanced Technology Company Limited. He holds a degree in Shanghai University and has more than 11 years of after sales experience.

Mr. Lu Ming Yuan, aged 33, is the technology director of Shanghai Qianlong Advanced Technology Company Limited. He holds a bachelor's degree in Computer from Gui Zhou University.

QUALIFIED ACCOUNTANT

Mr. Ip Pui Lam, Arthur, aged 47, is the qualified accountant of the Group. He has over 16 years of experience in accounting and finance. He joined the Group in 2000. He is a fellow member of the Association of International Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

COMPANY SECRETARY

Mr. Tse Kai Chung, Bobby, aged 49, is the secretary of the Group. He joined the Group in July 2005. Mr. Tse is a solicitor of the Hong Kong Supreme Court, a member of the Hong Kong society and partner of Messrs. Bobby Tse & Company. Mr. Tse is certified attorney with 21 years' experience in law.

COMPLIANCE OFFICER

Mr. Fan Ping Yi, aged 50 is the vice-chairman and executive Director of the Group. He is one of the founders of the Group. He is responsible for the Group's overall strategic planning and implementation. Mr. Fan held senior management positions in various software houses in Taiwan before joining the Group and has over 24 years of experience in the IT industry. Being a compliance officer, Mr. Fan will be advising on and assisting the Board in implementing procedures to ensure that the Group complies with the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules") and other relevant laws and regulations applicable to the Company and responding promptly and efficiently to all enquiries directed at him by the Stock Exchange.

INTRODUCTION

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Company. The Board is committed to maintaining and ensuring high standards of corporate governance. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules (the "Code") during the year of 2008.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2008.

BOARD OF DIRECTORS AND BOARD MEETING

The Board which comprises nine Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the Directors' Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There's no relationship among the members of the Board.

To improve the transparency and independency of the corporate governance, Mr. Liao Chao Ping and Mr. Yang Ching Shou have been appointed as the chairman and chief executive officer of the Company respectively.

The Company also appointed three independent non-executive Directors, namely Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

The Board held a board meeting for each quarter in every year. Apart from the regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

Details of the attendance of the Board are as follows:

Directors	**Attendance**
Mr. Liao Chao Ping	4/4
Mr. Fan Ping Yi	4/4
Mr. Yang Ching Shou	4/4
Mr. Chen Shen Tien	4/4
Mr. Chen Ming Chuan	4/4
Mr. Yu Shih Pi	4/4
Mr. Chiu Kam Hing, Kathy	4/4
Mr. Chang Long Teng	4/4
Mr. Cheong Chan Kei, Ernest	4/4

Under the code provision A.4.2 as set out in the Code, every Director should be subject to retirement by rotation at least once every three years. However, according to the Company's articles of association, the chief executive officer is not required to retire by rotation. Therefore at the date of this report, Mr. Yang Ching Shou, the chief executive officer is not required to retire by rotation.

REMUNERATION OF DIRECTORS

The remuneration committee was established in November 2005. The chairman of the committee is Ms. Chiu Kam Hing, Kathy, an independent non-executive Director, and other members include Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest, both being independent non-executive Directors.

The function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately RMB452,000 to the external auditors for their services including audit, due diligence and other advisory services.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest, all of them are independent non-executive Directors. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Ms. Chiu Kam Hing, Kathy	4/4
Mr. Chang Long Teng	4/4
Mr. Cheong Chan Kei, Ernest	4/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2008 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The Company has not set up any nomination committee in 2008.

The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications experience and background. The decision of appointing a director must be approved unanimously by the members of the Board and make recommendation to the shareholders' meeting for approval.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statements of the external auditor of the Company, Shu Lun Pan Horwath Hong Kong CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 24 to 25 of this annual report.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure it is effective and adequate. The Company convened meeting periodically to discuss financial, operational and risk management control.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the GEM Listing Rules. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

Directors' Report

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the research, development and distribution of software, the provision of related maintenance and consulting services in the PRC.

The principal activities of the Company's subsidiaries are set out in Note 18 to the financial statements.

No geographical analysis is shown as the principal activities of the Group are mainly carried out in the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 23% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 7% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 81% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 43% of the Group's total purchases.

None of the Directors, or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

RESULTS

The profit of the Group for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 82.

The Directors do not recommend the payment of any dividends in respect of the year.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in Note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 26 to the financial statements.

The issue of shares during the year was made to broaden the capital base of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 30 and in Note 27 to the financial statements respectively.

DIRECTORS

The Directors during the year were:

Executive Directors

Liao Chao Ping	*(Chairman)*
Fan Ping Yi	*(Vice chairman)*
Yang Ching Shou	*(Managing Director)*
Chen Shen Tien	
Chen Ming Chuan	
Yu Shih Pi	

Independent non-executive Directors

Chiu Kam Hing, Kathy
Chang Long Teng
Cheong Chan Kei, Ernest

In accordance with article 116 of the Company's articles of association, Mr. Fan Ping Yi, Mr. Chen Shen Tien and Mr. Cheong Chan Kei, Ernest will retire by rotation and, being eligible, will offer themselves for re- election at the forthcoming annual general meeting.

Biographical details of the Directors are set out on pages 10 and 11 of this annual report. Details of the Directors' remuneration are set out in Note 10 to the financial statements.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules for the year ended 31 December 2008 and the Company considers the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with the executive Directors for a term of two years and shall continue thereafter until terminated by either party giving to the other at least three months' prior notice in writing.

Details of the appointments of the independent non-executive Directors are set out in the Corporate Governance Report on pages 13 to 16 of this annual report.

Save as aforesaid, none of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Name of directors	Type of interests	Number of shares held	Percentage of the Company's issued share capital
Liao Chao Ping	Personal	5,000,000	1.979%
Chen Shen Tien	Corporate *(Notes (1) and (2))*	40,250,000	15.934%
Fan Ping Yi	Corporate *(Notes (1) and (2))*	24,500,000	9.699%
Yang Ching Shou	Corporate *(Notes (1) and (2))*	24,500,000	9.699%
Chen Ming Chuan	Corporate *(Notes (1) and (2))*	18,375,000	7.274%
Yu Shih Pi	Corporate *(Notes (1) and (2))*	14,875,000	5.889%

Notes:

1. As at 31 December 2008, Mr. Chen Shen Tien is the sole shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 15.934% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, own the entire issued share capital of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Yang Ching Shou and his spouse, Ms. Lai Ying Ming, own the entire issued share capital of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Chen Ming Chuan is the sole shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 7.274% interest in the Company. Mr. Yu Shih Pi is the sole shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 5.889% interest in the Company.

2. According to the register of substantial shareholders required to be maintained under Section 336 of the SFO, the Company has been notified of these interests, being 5% or more of the issued share capital of the Company.

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Save for the share option scheme as disclosed in Note 28 to the financial statements, at no time during the year ended 31 December 2008 was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2008, in addition to those interests as disclosed above in respect of the Directors, the interests or short positions in the shares and underlying shares of the substantial shareholders of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, the Company had been notified of the following interests, being 5% or more in the issued share capital of the Company:

Name	Number of the shares held	Percentage of the Company's issued share capital
Red Coral Financial Limited	40,250,000	15.934%
Sapphire World Investment Limited	24,500,000	9.699%
Legend Isle Technology Limited	24,500,000	9.699%
Star Channel Technology Limited	18,375,000	7.274%
Star Orient Global Limited	14,875,000	5.889%

Note:

1. As at 31 December 2008, Mr. Chen Shen Tien is the sole shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 15.934% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, own the entire issued share capital of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Yang Ching Shou and his spouse, Ms. Lai Ying Ming, own the entire issued share capital of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Chen Ming Chuan is the sole shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 7.274% interest in the Company. Mr. Yu Shih Pi is the sole shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 5.889% interest in the Company.

Save as disclosed above, the Directors were not aware of any other person (other than the Directors or the chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which any Director had a material interest, subsisted at the end of the year or at any time during the year.

AUDIT COMMITTEE

The Group established an audit committee in 1999 with written terms of reference pursuant to the GEM Listing Rules. The audit committee comprises 3 independent non-executive Directors namely Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee.

One of the duties of the audit committee is to review and supervise the financial reporting process and internal control systems of the Group, and to provide advice and comments to the Board. The audit committee has reviewed the Group's audited consolidated results and annual report for the year ended 31 December 2008.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on pages 83 to 84 of the annual report. This summary does not form part of the audited financial statements.

PROPERTIES

Major leasehold land and buildings:

Location	**Existing use**	**Term of lease**
26F, World Plaza, No 855 Pudong South Road, Shanghai, the PRC	Office	Medium

RETIREMENT SCHEMES

Details of the Group's retirement schemes during the year are set out in Note 12 to the financial statements.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is formulated by the Remuneration Committee and is based on the merit, qualifications and competence of the employees.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in Note 28 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

For the year ended 31 December 2008, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 13 to 16 of the annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge, as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the GEM Listing Rules.

AUDITOR

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited, who will retire and be eligible to offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to re-appoint the Company's auditor and to fix their remuneration.

By Order of the Board

Liao Chao Ping
Chairman
Hong Kong, 24 March 2009

Independent Auditor's Report

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
20th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

TO THE SHAREHOLDERS OF
QIANLONG TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED
(乾隆科技國際控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Qianlong Technology International Holdings Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on pages 26 to 82, which comprise the consolidated and Company balance sheets as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of the financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Li Pak Ki
Practising Certificate number P01330

Consolidated Income Statement

For the year ended 31 December 2008
(Expressed in Renminbi)

	Notes	2008 RMB'000	2007 RMB'000
Turnover	5	**71,200**	52,825
Cost of sales		**(20,057)**	(17,290)
Gross profit		**51,143**	35,535
Other income	7	**6,820**	5,814
Other gains and losses	8	**2,255**	4,083
Selling and distribution costs		**(17,304)**	(14,748)
Administrative expenses		**(23,091)**	(18,710)
Operating profit		**19,823**	11,974
Share of (loss)/profit of an associate	19	**(269)**	81
Profit before taxation	9	**19,554**	12,055
Income tax	13(a)	**(2,768)**	(500)
Profit for the year attributable to equity holders of the Company	15	**16,786**	11,555
Dividend		**—**	—
Earnings per share			
– Basic	16	**RMB0.076**	RMB0.055

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2008
(Expressed in Renminbi)

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**36,452**	38,686
Interest in an associate	19	**—**	278
		36,452	38,964
Current assets			
Inventories	20	**26**	15
Trade and other receivables	21	**3,641**	3,741
Deposits and prepayments		**1,990**	1,426
Investments held for trading	22	**14,073**	—
Cash and cash equivalents	23	**98,829**	76,625
		118,559	81,807
Current liabilities			
Trade and other payables	24	**33,768**	31,469
Tax payable		**2,964**	1,714
		36,732	33,183
Net current assets		**81,827**	48,624
Non-current liabilities			
Deferred revenue	25	**2,801**	2,385
Net assets		**115,478**	85,203

Consolidated Balance Sheet

At 31 December 2008
(Expressed in Renminbi)

	Notes	**2008 RMB'000**	2007 RMB'000
EQUITY			
Share capital	26	**26,128**	22,420
Reserves		**89,350**	62,759
Equity attributable to equity holders of the Company		**115,478**	85,179
Minority interests		**—**	24
Total equity		**115,478**	85,203

These financial statements were approved and authorised for issue by the board of directors on 24 March 2009.

Liao Chao Ping
Director

Yang Ching Shou
Director

The accompanying notes form part of these financial statements.

Balance Sheet

At 31 December 2008
(Expressed in Renminbi)

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	**14,426**	14,674
Current assets			
Trade and other receivables	21	**271**	287
Deposits and prepayments		**—**	82
Cash and cash equivalents	23	**20,574**	6,119
		20,845	6,488
Current liabilities			
Trade and other payables	24	**111**	131
Amounts due to subsidiaries	18	**5,570**	5,847
		5,681	5,978
Net current assets		**15,164**	510
Net assets		**29,590**	15,184
EQUITY			
Share capital	26	**26,128**	22,420
Reserves	27	**3,462**	(7,236)
Total equity		**29,590**	15,184

These financial statements were approved and authorised for issue by the board of directors on 24 March 2009.

Liao Chao Ping
Director

Yang Ching Shou
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2008
(Expressed in Renminbi)

	Share capital RMB'000 *(Note 26)*	Share premium RMB'000 *(Note27(a))*	Exchange reserve RMB'000 *(Note27(b))*	General reserve RMB'000 *(Note27(c))*	Merger reserve RMB'000 *(Note27(d))*	Retained profits/ (accu- mulated losses) RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	22,420	33,124	(216)	7,491	23,765	(12,586)	73,998	26	74,024
Exchange difference on translation of financial statements of foreign entities recognised directly in equity	—	—	(374)	—	—	—	(374)	(2)	(376)
Profit for the year	—	—	—	—	—	11,555	11,555	—	11,555
Total recognised income and expense for the year	—	—	(374)	—	—	11,555	11,181	(2)	11,179
Appropriation	—	—	—	681	—	(681)	—	—	—
At 31 December 2007	22,420	33,124	(590)	8,172	23,765	(1,712)	85,179	24	85,203
Exchange difference on translation of financial statements of foreign entities recognised directly in equity	—	—	(425)	—	—	—	(425)	—	(425)
Deregistration of subsidiaries	—	—	224	(80)	(1,729)	—	(1,585)	(24)	(1,609)
Profit for the year	—	—	—	—	—	16,786	16,786	—	16,786
Total recognised income and expense for the year	—	—	(201)	(80)	(1,729)	16,786	14,776	(24)	14,752
Issue of shares (Note 26)	3,708	11,864	—	—	—	—	15,572	—	15,572
Share issue expenses (Note 26)	—	(49)	—	—	—	—	(49)	—	(49)
Appropriation	—	—	—	2,552	—	(2,552)	—	—	—
At 31 December 2008	**26,128**	**44,939**	**(791)**	**10,644**	**22,036**	**12,522**	**115,478**	**—**	**115,478**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Expressed in Renminbi)

	Notes	2008 RMB'000	2007 RMB'000
Operating activities			
Profit before taxation		**19,554**	12,055
Adjustments for:			
Interest income	7	**(1,769)**	(1,006)
Gain on deregistration of subsidiaries	8	**(1,609)**	—
Write back of other payables	8	**(386)**	—
Gain on disposal of investments held for trading	8	**(81)**	(4,257)
(Gain)/loss on disposal of property, plant and equipment	8	**(106)**	174
Fair value gain on investments held for trading	8	**(73)**	—
Depreciation of property, plant and equipment	9	**3,142**	2,695
Share of loss/(profit) of an associate	19	**269**	(81)
Operating cash flows before working capital changes		**18,941**	9,580
(Increase)/decrease in inventories		**(11)**	130
Decrease/(increase) in trade and other receivables		**100**	(1,792)
(Increase)/decrease in deposits and prepayments		**(564)**	77
Increase in trade and other payables		**3,101**	13,917
Effect of foreign exchange rate changes		**87**	—
Cash generated from operations		**21,654**	21,912
Income tax (paid)/refunded, net		**(1,518)**	2,185
Net cash generated from operating activities		**20,136**	24,097
Investing activities			
Payments to acquire property, plant and equipment		**(946)**	(3,378)
Payments to acquire investments held for trading		**(22,000)**	—
Proceeds from disposal of property, plant and equipment		**144**	9
Proceeds from disposal of investments held for trading		**8,081**	7,402
Interest received		**1,769**	1,006
Net cash (used in)/generated from investing activities		**(12,952)**	5,039
Financing activities			
Proceeds from issue of shares	26	**15,572**	—
Share issue expenses	26	**(49)**	—
Net cash generated from financing activities		**15,523**	—

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Expressed in Renminbi)

	2008 RMB'000	2007 RMB'000
Net increase in cash and cash equivalents	**22,707**	29,136
Cash and cash equivalents at beginning of year	**76,625**	47,849
Effect of foreign exchange rate changes	**(503)**	(360)
Cash and cash equivalents at end of year	**98,829**	76,625
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	**17,082**	19,642
Time deposits with original maturity of less than three months when acquired	**81,747**	56,983
	98,829	76,625

The accompanying notes form part of these financial statements.

(Expressed in Renminbi)

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 May 1998 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Ugland House, P. O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company is an investment holding company. The principal activities of the Group are the research, development and distribution of software, the provision of related maintenance and consulting services in the People's Republic of China (the "PRC").

The principal activities of the subsidiaries are set out in Note 18 to the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) – Int 11 "HKFRS 2 – Group and treasury share transactions", HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on these financial statements.

(Expressed in Renminbi)

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

At the date of authorisation of these financial statements, the following HKFRSs were in issue but not yet effective:

		Effective date
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(iii)
HKFRS 2 (Amendment)	Vesting conditions and cancellation	(i)
HKFRS 3 (Revised)	Business combinations	(iii)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKFRS 8	Operating segments	(i)
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(iii)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKAS 39 (Amendment)	Financial instruments: recognition and measurement – eigible hedged items	(iii)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iv)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(v)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(iii)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(iii)

Effective date

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods ending on or after 30 June 2009
(iii) Annual periods beginning on or after 1 July 2009
(iv) Annual periods beginning on or after 1 July 2008
(v) Annual periods beginning on or after 1 October 2008
(vi) Transfers of assets from customers received on or after 1July 2009

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of their initial application.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

(b) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, as modified for certain financial instruments which are carried at fair value.

(c) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealised gains on transactions between Group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill as detailed in Note 3(g) below.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(f) Associates

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate less impairment in the value of individual investment. Losses of an associate in excess of the Group's interest in that associate form part of the Group's net investment in the associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Associates (Continued)

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill as detailed in Note 3(g) below.

Profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(g) Goodwill

Goodwill arising on the acquisition of a subsidiary or associate represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

On the disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold land and buildings	5%
Leasehold improvements	20% or shorter of the lease term
Computer equipment	20% - 33.33%
Furniture, fixtures and office equipment	20% - 33.33%
Motor vehicles	20% - 33.33%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(Expressed in Renminbi)

3. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(i) *Impairment of assets excluding goodwill*

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method of costing and includes all costs incurred in bringing the goods to their present location and condition. Net realisable value is based on estimated normal selling prices in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

(k) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. Financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial assets (Continued)

(ii) Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial assets (Continued)

(iii) Impairment of financial assets *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included in trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial assets (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(l) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial liabilities and equity instrument issued by the Group (Continued)

(iii) Financial liabilities

Financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held as cash with banks, and other short term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Taxation (Continued)

(ii) Deferred tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(q) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Renminbi ("RMB"), which is the functional currency of the principal operating subsidiaries of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the exchange reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Renminbi using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Foreign currencies (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(s) Employees' benefits

(i) Short term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leaves, contributions to defined contribution plan and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Insurance policies and retirement benefits scheme

Employees of the Group are either members of life insurance policies managed by an insurance company or a central pension scheme operated by local government. The Group pays the premiums of the life insurance policies on behalf of the employees and makes contributions to the central pension scheme according to the requirements set by local government. The premiums and contributions are charged as expenses in the period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(u) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Maintenance and information service fee income

Maintenance and information service fees are billed in advance and are recognised as income on a straight-line basis over the period of the provision of the related services. The unrecognised portion is recorded as deferred revenue in the balance sheet.

(iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the effective interest rate applicable.

(w) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence, both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgement in the area of asset impairment, particularly in assessing (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

(Expressed in Renminbi)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(iii) Impairment of trade and other receivables

Provision for impairment of trade and other receivables is made based on assessment of the recoverability of trade receivables and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade receivables and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

5. TURNOVER

Turnover, which is also revenue, represents the sales value of goods supplied to customers and the maintenance service fees receivable, net of goods returned, trade discounts, business tax and value added tax. The Group's products and services are mainly sold and provided to customers in the PRC. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	2007
	RMB'000	RMB'000
Information service fees	**34,774**	17,928
Maintenance service fees	**27,484**	26,178
Sale of computer software	**7,823**	7,171
Others	**1,119**	1,548
	71,200	52,825

6. SEGMENT REPORTING

(a) Business segments

No separate business segment information is presented as the Group has only one business segment, which is the distribution and maintenance of computer software.

(b) Geographical segments

All operating assets and operations of the Group during the years ended 31 December 2008 and 2007 were located in the PRC. Accordingly, no geographical segment information is presented.

(Expressed in Renminbi)

7. OTHER INCOME

	2008 **RMB'000**	2007 RMB'000
Value added tax refund *(note (a))*	**4,970**	4,459
Interest income	**1,769**	1,006
Subsidy income *(note (b))*	**—**	330
Sundries	**81**	19
	6,820	5,814

Notes:

(a) A tax concession has been granted by the PRC tax authority to the Company's PRC subsidiaries which are engaged in the development and trading of computer software. Under this concession, the PRC subsidiaries are entitled to a refund of value added tax ("VAT") paid in excess of an effective rate of 3%. The amount of VAT refund is recognised as other income on an accrual basis.

(b) Subsidy income for the year ended 31 December 2007 represented subsidies received from Shanghai Finance Bureau to finance the development of advanced technology and was calculated based on 90% of the business tax paid in last year.

8. OTHER GAINS AND LOSSES

	2008 **RMB'000**	2007 RMB'000
Gain on deregistration of subsidiaries *(Note 18)*	**1,609**	—
Write back of other payables	**386**	—
Gain/(loss) on disposal of property, plant and equipment	**106**	(174)
Gain on disposal of investments held for trading	**81**	4,257
Fair value gain on investments held for trading	**73**	—
	2,255	4,083

(Expressed in Renminbi)

9. PROFIT BEFORE TAXATION

	2008	2007
	RMB'000	RMB'000
Profit before taxation is stated after charging/(crediting) the following:		
Cost of inventories expensed	**379**	428
Cost of service fees	**16,596**	9,912
Commission paid to distributors	**1,020**	5,378
Depreciation of property, plant and equipment *(Note 17)*	**3,142**	2,695
Exchange loss, net	**311**	—
Staff costs excluding directors' remuneration:		
Salaries and allowances	**18,462**	12,352
Pension fund contributions *(Note 12)*	**2,965**	2,141
Auditor's remuneration:		
Current year	**427**	420
Underprovision in prior year	**25**	35
Research and development costs	**7,256**	5,362
Lease payments under operating leases in respect of land and buildings	**653**	844
Bad debt written off	**—**	40
Reversal of allowance for doubtful debts *(Note 21)*	**—**	(36)

(Expressed in Renminbi)

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	2008 Total RMB'000
Executive directors			
Liao Chao Ping	—	413	413
Fan Ping Yi	—	413	413
Yang Ching Shou	—	827	827
Chen Shen Tien	—	413	413
Chen Ming Chuan	—	413	413
Yu Shih Pi	—	413	413
Independent non-executive directors			
Chiu Kam Hing, Kathy	177	—	177
Chang Long Teng	177	—	177
Cheong Chan Kei, Ernest	177	—	177
	531	2,892	3,423

(Expressed in Renminbi)

10. DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	2007 Total RMB'000
Executive directors			
Liao Chao Ping	—	413	413
Fan Ping Yi	—	413	413
Yang Ching Shou	—	763	763
Chen Shen Tien	—	413	413
Chen Ming Chuan	—	413	413
Yu Shih Pi	—	413	413
Independent non-executive directors			
Chiu Kam Hing, Kathy	189	—	189
Chang Long Teng	189	—	189
Cheong Chan Kei, Ernest	189	—	189
	567	2,828	3,395

The executive directors have entered into a service contract with the Company for a term of two years and these contracts shall continue thereafter until terminated by either party giving to the other at least three months' prior notice in writing. Based on the terms of these service contracts, each of the directors are entitled to a monthly salary, an annual bonus payable on 31 December in each year, which is equivalent to the average of one month's salary earned in the previous twelve months.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

No share option was granted to the directors during the years ended 31 December 2008 and 2007.

11. FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group during the year, all (2007: all) are directors, whose emoluments are disclosed in Note 10 above.

12. RETIREMENT BENEFITS

The employees of the Company's operating subsidiaries, Shanghai Qianlong Advanced Technology Company Limited, Shanghai Xin Long Information Technology Company Limited and Shanghai Qianlong Network Technology Company Limited, are members of a central pension scheme operated by the local government. The subsidiaries are required to contribute approximately 37% of the employees' monthly salaries to the central pension scheme to fund the employees' retirement benefits.

The Group does not have any liabilities to the retirement benefits of the employees other than the monthly contributions to the central pension scheme. The Group's contributions to the central pension scheme for the year ended 31 December 2008 amounted to RMB2,965,000 (2007: RMB2,141,000).

13. INCOME TAX

(a) *Taxation in the consolidated income statement represents:*

	2008 RMB'000	2007 RMB'000
Current tax – PRC foreign enterprise income tax		
– Provision for the year	**2,768**	1,382
– Tax refund	**—**	(2,040)
	2,768	(658)
Deferred taxation *(Note 14)*		
– Origination and reversal of temporary differences, net	**—**	1,158
	2,768	500

No provision for Hong Kong profits tax has been made as the Group had no assessable profit subject to Hong Kong profits tax for the current and prior years.

On 16 March 2007, the National People's Congress approved the PRC Enterprise Income Tax Law, which became effective from 1 January 2008. In accordance with the new law, the standard enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012.

Shanghai Qianlong Network Technology Company Limited, a PRC operating subsidiary of the Company newly set up in February 2007 in Pudong Shanghai, continued to enjoy the preferential enterprise income tax rate of 18% for the current year.

Shanghai Qianlong Advanced Technology Company Limited, a PRC operating subsidiary of the Company, which is engaging in advanced technology operation is entitled to enterprise income tax rate of 15% according to Session 111 of the National Enterprise Income Tax Law in 2008.

(Expressed in Renminbi)

13. INCOME TAX *(Continued)*

(b) *The Group's taxation charge for the year can be reconciled to the profit before taxation as stated in the consolidated income statement as follows:*

	2008	2007
	RMB'000	RMB'000
Profit before taxation	**19,554**	12,055
Taxation calculated at PRC foreign enterprise income tax rate of 25% (2007: 27%)	**4,888**	3,255
Tax effect of expenses not deductible for taxation purposes	**24**	191
Tax effect of non-taxable items	**(756)**	(2,540)
Deferred tax assets not recognised	**264**	705
Income tax exemption	**—**	(22)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,652)**	(207)
Income tax refund	**—**	(2,040)
Utilisation of deferred tax assets	**—**	1,158
Taxation charge for the year	**2,768**	500

14. DEFERRED TAX

The following was the component of deferred tax assets recognised by the Group in the consolidated balance sheet and its movements during the year ended 31 December 2007:

	Revaluation deficit on investments held for trading RMB'000
At 1 January 2007	1,158
Charged to profit or loss for the year *(Note 13)*	(1,158)
At 31 December 2007	—

As at 31 December 2008, the Group had no significant deferred tax assets or liabilities.

15. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

During the year ended 31 December 2008, the Group's profit attributable to equity holders of the Company included a loss of RMB424,000 (2007: loss of RMB1,793,000) which has been dealt with in the financial statements of the Company (Note 27).

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB16,786,000 (2007: RMB11,555,000) and the weighted average number of 220,188,767 ordinary shares (2007: 210,500,000) in issue during the year.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2008 and 2007.

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land and buildings* RMB'000	Leasehold improvements RMB'000	Computer equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2007	34,592	2,868	4,068	525	435	42,488
Additions	—	1,269	1,943	166	—	3,378
Disposals	—	(651)	(1,731)	(345)	(57)	(2,784)
Exchange adjustments	—	—	(24)	(6)	—	(30)
At 31 December 2007	34,592	3,486	4,256	340	378	43,052
Additions	—	214	604	128	—	946
Disposals	(137)	—	—	—	(378)	(515)
Written off	—	—	(248)	(44)	—	(292)
Exchange adjustments	—	—	(10)	(2)	—	(12)
At 31 December 2008	34,455	3,700	4,602	422	—	43,179
Accumulated depreciation and impairment losses:						
At 1 January 2007	525	625	2,427	368	357	4,302
Charge for the year	1,550	481	565	59	40	2,695
Written back on disposal	—	(650)	(1,567)	(327)	(57)	(2,601)
Exchange adjustments	—	—	(24)	(6)	—	(30)
At 31 December 2007	2,075	456	1,401	94	340	4,366
Charge for the year	1,550	726	802	64	—	3,142
Written back on disposal	(137)	—	—	—	(340)	(477)
Written off	—	—	(248)	(44)	—	(292)
Exchange adjustments	—	—	(10)	(2)	—	(12)
At 31 December 2008	**3,488**	**1,182**	**1,945**	**112**	**—**	**6,727**
Carrying amount:						
At 31 December 2008	**30,967**	**2,518**	**2,657**	**310**	**—**	**36,452**
At 31 December 2007	32,517	3,030	2,855	246	38	38,686

* Since the land lease prepayment cannot be allocated reliably between the land and buildings elements, the entire lease prepayment is included in the cost of land and buildings as a finance lease in property, plant and equipment. The leasehold land and buildings of the Group are held outside Hong Kong under a medium term lease.

(Expressed in Renminbi)

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Computer equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
Cost:			
At 1 January 2007	210	106	316
Disposals	(203)	(102)	(305)
Exchange adjustments	(7)	(4)	(11)
At 31 December 2007 and 2008	—	—	—
Accumulated depreciation:			
At 1 January 2007	207	106	313
Charge for the year	1	—	1
Written back on disposal	(201)	(102)	(303)
Exchange adjustments	(7)	(4)	(11)
At 31 December 2007 and 2008	—	—	—
Carrying amount:			
At 31 December 2007 and 2008	—	—	—

(Expressed in Renminbi)

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	RMB'000	RMB'000
Unlisted equity, at cost	**2,659**	7,218
Amounts due from subsidiaries	**11,767**	28,777
	14,426	35,995
Less: Impairment losses	**—**	(21,321)
	14,426	14,674

The amounts due from subsidiaries are unsecured, interest-free and in substance represent the Company's investments in the subsidiaries in the form of quasi-equity loans.

The amounts due to subsidiaries classified as current liabilities in the Company's balance sheet are unsecured, interest-free and have no fixed terms of repayment.

Certain subsidiaries which had significant deficiency in net assets were deregistered during the year. Upon deregistration, the investment costs of, and amounts due from these subsidiaries were written off against impairment losses of RMB21,321,000 previously provided for.

(Expressed in Renminbi)

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries as at 31 December 2008 were presented below. The equity interest represents interest in shares of the subsidiaries except for PRC subsidiaries.

		Percentage of equity interest				
Name of company	**Place of incorporation and operations and legal entity status**	**Group's effective interest**	**Held by the Company**	**Held by subsidiary**	**Issued and fully paid share capital/ registered capital**	**Principal activity**
Qianlong Computers Company Limited	The British Virgin Islands ("BVI") (limited liability)	100	100	—	US$10,000	Investment holding
Shanghai Qianlong Advanced Technology Company Limited	The PRC (wholly foreign-owned enterprise)	100	—	100	US$5,950,000	Development and trading of computer software and provision of the related maintenance services
Shanghai Xin Long Information Technology Company Limited	The PRC (wholly foreign-owned enterprise)	100	—	100	RMB5,000,000	Development of finance database products
Shanghai Qianlong Network Technology Company Limited	The PRC (wholly foreign-owned enterprise)	100	—	100	RMB10,000,000	Development and trading of computer software and provision of the related maintenance services
Ningbo Qianlong Computer Software Company Limited *(note)*	The PRC (wholly foreign-owned enterprise)	100	—	100	US$210,000	Dormant

(Expressed in Renminbi)

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operations and legal entity status	Percentage of equity interest: Group's effective interest	Held by the Company	Held by subsidiary	Issued and fully paid share capital/ registered capital	Principal activity
Worry-Free Technology Holdings Limited *(note)*	BVI (limited liability)	100	100	—	US$500,000	Investment holding
Qianlong Internet Holdings Limited *(note)*	BVI (limited liability)	100	100	—	US$50,000	Investment holding
Chien Long Investment Company Limited *(note)*	Taiwan (limited liability)	99.3	—	99.3	NTD7,338,010	Dormant

Note: These subsidiaries were deregistered during the year resulting in a gain of RMB1,609,000 (2007: Nil) (Note 8). These subsidiaries had not contributed significant turnover and results to the Group during the years ended 31 December 2008 and 2007.

19. INTEREST IN AN ASSOCIATE

	The Group	
	2008	2007
	RMB'000	RMB'000
Share of net assets	—	278
Goodwill	—	238
Impairment loss	—	(238)
	—	278

(Expressed in Renminbi)

19. INTEREST IN AN ASSOCIATE *(Continued)*

Details of the associate, which is an unlisted corporate entity, at 31 December 2007 were as follows:

		Percentage of equity interest				
Name of associate	Place and form of incorporation and operation	Group's effective interest	Held by the Company	Held by a subsidiary	Fully paid registered capital	Principal activity
Shanghai Gloucester Waalker Investment Management Company Limited	PRC (equity joint venture)	33.33	—	33.33	US$300,000	Provision of human resources consulting services

During the year, the Company's wholly-owned subsidiary, Qianlong Internet Holdings Limited ("Qianlong Internet") was deregistered. Qianlong Internet held 33.33% equity interest in Shanghai Gloucester Waalker Investment Management Company Limited. As a result of the deregistration of Qianlong Internet, the Group no longer shared any of the net assets of the associate as at 31 December 2008.

Summarised financial information in respect of the Group's associate is set out below:

	2008	2007
	RMB'000	RMB'000
Total assets	**—**	917
Total liabilities	**—**	(29)
Net assets	**—**	888
Group's share of associate's net assets	**—**	278
Revenue	**101**	1,311
(Loss)/profit for the year	**(807)**	243
Group's share of associate's (loss)/profit for the year	**(269)**	81

(Expressed in Renminbi)

20. INVENTORIES

	The Group	
	2008	2007
	RMB'000	RMB'000
Accessories	**22**	15
Finished goods	**4**	—
	26	15

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**2,458**	2,466	**—**	—
Less: Allowance for doubtful debts	**—**	—	**—**	—
Trade receivables – net	**2,458**	2,466	**—**	—
Other receivables	**1,183**	1,275	**271**	287
	3,641	3,741	**271**	287

(i) The Group's policy is to allow an average credit period of 30 days from the date of billing to its trade customers. All trade receivables are denominated in Renminbi.

(ii) The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
At 1 January	**—**	152
Reversal of provision for doubtful debts *(Note 9)*	**—**	(36)
Uncollectable amounts written off	**—**	(116)
At 31 December	**—**	—

(Expressed in Renminbi)

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(iii) The following is an ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts of trade receivables, at the balance sheet date:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 month	**1,192**	1,320
1 to 3 months	**623**	588
More than 3 months but less than 12 months	**537**	482
More than 12 months	**106**	76
	2,458	2,466

(iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	**1,255**	1,320
Less than 1 month past due	**754**	588
1 to 3 months past due	**143**	60
More than 3 months but less than 12 months past due	**306**	498
	2,458	2,466

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(v) The directors consider that the carrying amount of trade and other receivables approximates their fair value.

(Expressed in Renminbi)

22. INVESTMENTS HELD FOR TRADING

	The Group	
	2008	2007
	RMB'000	RMB'000
Unlisted investment fund, at fair value (maturing on 19 January 2009) (b)	**8,000**	—
Listed investment funds, at fair value (c)	**6,073**	—
	14,073	—

(a) The above investments offered the Group the opportunity for return through interest income and capital gains.

(b) The directors considered that the unlisted investment fund does not have a quoted market price in an active market. However, due to the short maturity of the unlisted investment fund, the directors are of the opinion that the fair value of the unlisted investment fund approximates its cost as at the balance sheet date.

(c) Listed investment funds have no fixed maturity or coupon rate. The fair value of listed investment funds is based on quoted market prices.

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**17,082**	19,642	**2,413**	4,222
Time deposits	**81,747**	56,983	**18,161**	1,897
	98,829	76,625	**20,574**	6,119

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The directors consider the carrying amount of cash and cash equivalents approximates their fair value.

23. CASH AND CASH EQUIVALENTS *(Continued)*

The carrying amounts of bank balances and cash are denominated in the following currencies:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Renminbi	**76,870**	69,626	**—**	—
Hong Kong dollars	**21,498**	6,119	**20,574**	6,119
United States dollars	**452**	40	**—**	—
New Taiwan dollars	**9**	840	**—**	—
	98,829	76,625	**20,574**	6,119

RMB is not freely convertible into foreign currencies in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

(Expressed in Renminbi)

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**1,416**	2,956	**—**	—
Receipts in advance	**379**	648	**—**	—
Other payables	**1,805**	1,411	**—**	—
Accruals	**4,473**	2,662	**111**	131
Deferred revenue *(Note 25)*	**25,695**	23,792	**—**	—
	33,768	31,469	**111**	131

(i) The following is an ageing analysis of trade payables, based on the invoice date, at the balance sheet date:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 month	**707**	1,656
1 to 3 months	**672**	1,009
More than 3 months but less than 12 months	**37**	247
More than 12 months	**—**	44
	1,416	2,956

(ii) The carrying amount of trade payables is denominated in the following currencies:

	The Group	
	2008	2007
	RMB'000	RMB'000
Renminbi	**141**	713
Hong Kong dollars	**1,275**	2,243
	1,416	2,956

(iii) All other payables and accruals are expected to be settled within one year.

(iv) The directors consider that the carrying amount of trade and other payables approximates their fair value.

25. DEFERRED REVENUE

	The Group	
	2008	2007
	RMB'000	RMB'000
Amounts due within 1 year classified as current liabilities *(Note 24)*	**25,695**	23,792
Amounts due after 1 year classified as non-current liabilities	**2,801**	2,385
	28,496	26,177

Deferred revenue represents maintenance service fees received in advance at the balance sheet date.

26. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	**Amount**
		RMB'000
The Company		
Authorised:		
At 31 December 2008 and 2007	1,000,000,000	106,510
Issued and fully paid:		
At 1 January 2007	210,500,000	22,420
Issue of shares *(note (ii))*	42,100,000	3,708
At 31 December 2008	**252,600,000**	**26,128**

Notes:

(i) All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

(ii) On 8 October 2008, the issued share capital of the Company was increased to HK$252,600,000 by the allotment of 42,100,000 shares at HK$0.1 each by way of placement at an issue price of HK$0.42 per share to broaden the capital base. Such shares rank pari passu in all respects with the existing shares of the Company. Of the total cash consideration, before share issue expenses of HK$55,000 (equivalent to RMB49,000), of HK$17,682,000 (equivalent to RMB15,572,000), HK$4,210,000 (equivalent to RMB3,708,000) and HK$13,472,000 (equivalent to RMB11,864,000) were credited to the share capital and share premium account respectively (Note 27).

27. RESERVES

	Share premium RMB'000 *(Note (a))*	Exchange reserve RMB'000 *(Note (b))*	Accumulated losses RMB'000	Total RMB'000
The Company				
At 1 January 2007	33,124	(1,018)	(36,587)	(4,481)
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group	—	(962)	—	(962)
Loss for the year	—	—	(1,793)	(1,793)
At 31 December 2007	33,124	(1,980)	(38,380)	(7,236)
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group	—	(693)	—	(693)
Issue of shares (Note 26)	11,864	—	—	11,864
Share issue expenses (Note 26)	(49)	—	—	(49)
Loss for the year	—	—	(424)	(424)
At 31 December 2008	**44,939**	**(2,673)**	**(38,804)**	**3,462**

Movement in reserves of the Group are set out in the consolidated statement of changes in equity on page 30 of the financial statements.

(a) Share premium

The application of the share premium account is governed by Section 148(a) of the Company's articles of association and the Cayman Islands Companies Law (Revised), which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

27. RESERVES *(Continued)*

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the Group's accounting policy set out in Note 3(r).

(c) General reserve

According to the relevant rules and regulations in the PRC, each of the Group's PRC subsidiaries shall provide 10% of the annual net income after tax, based on the subsidiary's PRC statutory accounts, as a general reserve, until the balance reaches 50% of the respective subsidiary's registered capital. Further appropriations can be made at the directors' discretion.

The general reserve can be used to set off any accumulated losses or converted into paid-up capital of the respective subsidiary.

(d) Merger reserve

The merger reserve arose as a result of the Group reorganisation in 1999 and represented the net difference between the value recorded for the shares issued by the Company and the nominal value of the issued share capital of the subsidiary received in exchange.

(e) Distribution of reserves

At 31 December 2008, the Company had accumulated losses of RMB38,804,000 (2007: RMB38,380,000), and after taking into consideration of the balance of share premium account, subject to the provisions of the Cayman Islands Companies Law (Revised) as noted in (a) above, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB6,135,000 (2007: RMB Nil).

28. SHARE OPTIONS

(a) Share option scheme

Pursuant to a written resolution passed on 2 December 1999 ("Adoption Date"), a share option scheme for employees was approved and the directors may, at their discretion, invite any employee or executive director of the Group, to take up options to subscribe for shares of the Company. Unless terminated by the Company in general meetings, the share option scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date.

28. SHARE OPTIONS *(Continued)*

(a) *Share option scheme (Continued)*

The maximum number of shares in respect of which options may be granted under the share option scheme of the Company may not (when aggregated with shares subject to any other employees share option scheme) exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose (i) any shares which have been duly allotted and issued on the exercise of the options granted under the share option scheme and any other schemes and (ii) any pro rata entitlements to further shares issued in respect of those shares referred to in (i) during a specified period of 10 consecutive years.

No option may be granted to any employee which, if exercised in full, would result in the total number of shares already issued and issuable to him under the share option scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the share option scheme.

The subscription price for shares under the scheme will be a price determined by the board and notified to each grantee and will be the highest of (i) the closing price of the shares on the date of grant; (ii) average closing prices of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Up to 31 December 2008, no option has been granted to any employee or director of the Company or any of its subsidiaries under this share option scheme.

(b) During the years ended 31 December 2008 and 2007, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

29. CAPITAL COMMITMENT

At the balance sheet date, the Group and the Company had no outstanding capital commitment.

30. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 year	**562**	360
In the second to fifth years inclusive	**278**	—
	840	360

The Group leases a number of properties under operating leases, which typically run for an initial period of 1 to 2 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had no other significant related party transactions during the years ended 31 December 2008 and 2007.

Members of key management during the year comprised the directors only whose remuneration is set out in Note 10 to the financial statements.

(Expressed in Renminbi)

32. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is debt free and the capital structure of the Group consists of equity attributable to equity holders of the Company only, comprising share capital and reserves.

33. FINANCIAL RISK MANAGEMENT

The main risks arising from the Groups' financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and price risk.

The Group does not consider it necessary to use derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

These risks are limited by the Group's financial management policies and practices described below:

(i) Credit risk

The carrying amount of the trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 December 2008, the Group had no concentration of credit risk of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively. As at 31 December 2007, the Group had a certain concentration of credit risk as 5% and 20% of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

(ii) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group's financial liabilities at the balance sheet date are all interest-free and are due within one year or on demand.

(iii) Interest rate risk

Other than cash at banks and time deposits, the Group has no significant interest-bearing assets and liabilities and its income and operating cash flows are substantially independent of changes in market interest rates. Cash at banks and time deposits earn interest at floating rates and expose the Group to cash flow interest rate risk.

(iv) Currency risk

The Group mainly operated in the PRC and has no significant exposure to any specific foreign currency, except that the Group has certain foreign currency monetary assets and liabilities.

An analysis on the Company's sensitivity to a 5% fluctuation in the exchange rate between RMB and HK$ was performed assuming that the change in the exchange rate had occurred at the balance sheet date. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rate of HK$ against RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. Where HK$ weakening against RMB by 5%, the Company's profit after taxation and retained profits will approximately be decreased by RMB1,032,000 (2007: RMB289,000). For a strengthening of HK$ against RMB, there would be an equal and opposite impact on the profit after taxation and retained profits. The analysis is performed on the same basis for 2007.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

(v) Equity price risk

The Group is not exposed to any significant equity securities risk or commodity price risk.

(vi) Fair values

(i) The fair value of listed investment funds, which are traded in active market, is determined based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) The unlisted investment fund does not have a quoted market price in an active market. However, due to the short maturity of the unlisted investment fund, the directors are of the opinion that the fair value of the unlisted investment fund approximates its cost as at the balance sheet date.

(iii) The fair values of other financial assets and liabilities are not materially different from their carrying amounts.

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2008 and 2007 may be categorised as follows:

	2008 **RMB'000**	2007 RMB'000
Financial assets		
Fair value through profit or loss		
– Investments held for trading	**14,073**	—
Loans and receivables (including cash and bank balances)	**102,470**	80,366
Financial liabilities		
Financial liabilities measured at amortised cost	**7,694**	7,029

(Expressed in Renminbi)

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2009.

Five-Year Financial Summary

A summery of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements are restated/ reclassified as appropriate, is set out below.

	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated income statement:					
Turnover	**71,200**	52,825	33,477	27,870	29,816
Cost of sales	**(20,057)**	(17,290)	(9,752)	(8,025)	(9,235)
Gross profit	**51,143**	35,535	23,725	19,845	20,581
Other income	**6,820**	5,814	5,384	5,811	6,178
Other gains and losses	**2,255**	4,083	5,324	2,105	1,011
Selling and distribution costs	**(17,304)**	(14,748)	(11,348)	(7,271)	(6,383)
Administrative expenses	**(23,091)**	(18,710)	(16,819)	(16,067)	(15,470)
Other operating expenses	**—**	—	—	(1)	(1)
Share of (losses)/profits of associates	**(269)**	81	13	23	(597)
Profit before taxation	**19,554**	12,055	6,279	4,445	5,319
Income tax	**(2,768)**	(500)	(121)	(1,477)	(443)
Profit for the year	**16,786**	11,555	6,158	2,968	4,876
Attributable to:					
Equity holders of the Company	**16,786**	11,555	6,158	2,973	4,882
Minority interests	—	—	—	(5)	(6)
	16,786	11,555	6,158	2,968	4,876
Dividends attributable to the year	**—**	—	—	—	—
Earnings per share – Basic	**7.60 cents**	5.50 cents	2.90 cents	1.41 cents	2.32 cents

Five-Year Financial Summary

	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Consolidated balance sheet					
Fixed assets	**36,452**	38,686	38,186	9,103	9,759
Other non-current assets	**—**	278	1,371	207	1,055
Current assets	**118,559**	81,807	54,591	76,924	72,872
Current liabilities	**(36,732)**	(33,183)	(18,752)	(17,773)	(18,377)
Total assets less current liabilities	**118,279**	87,588	75,396	68,461	65,309
Non-current liabilities	**(2,801)**	(2,385)	(1,372)	(403)	—
Net assets	**115,478**	85,203	74,024	68,058	65,309
Share capital	**26,128**	22,420	22,420	22,420	22,420
Reserves	**89,350**	62,759	51,578	45,611	42,856
Equity attributable to equity holders of the Company	**115,478**	85,179	73,998	68,031	65,276
Minority interests	**—**	24	26	27	33
Total equity	**115,478**	85,203	74,024	68,058	65,309